

# County of Los Angeles CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012 (213) 974-1101 http://cao.co.la.ca.us

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August 29, 2006

The Honorable Board of Supervisors County of Los Angeles 383 Kenneth Hahn Hall of Administration 500 West Temple Street Los Angeles, CA 90012

**Dear Supervisors:** 

AMENDMENT NO. 1 TO LEASE NO. 75233
AUDITOR-CONTROLLER
3470 WILSHIRE BOULEVARD, LOS ANGELES
(SECOND DISTRICT) (3 VOTES)

#### IT IS RECOMMENDATED THAT YOUR BOARD:

- 1. Approve and instruct the Mayor to sign the attached Amendment No. 1 to Lease No. 75233 with Central Plaza LLC, (Landlord) for the Auditor-Controller Department (Auditor) to occupy an additional 10,100 rentable square feet of office space and 32 parking spaces for the remaining balance of the original ten-year term at 3470 Wilshire Boulevard, Los Angeles, at a maximum annual rental cost of \$232,032, which will be 100 percent net County cost.
- 2. Authorize the Director of the Internal Services Department (ISD) and the Auditor at the direction of the Chief Administrative Office (CAO) to acquire furniture at a cost not to exceed \$313,000 and telephone, data, and low voltage systems for the aforementioned facility at a cost not to exceed \$300,000. All of the furniture, telephone, data and low voltage systems will be paid in a lump sum by the Auditor.

- 3. Find that this lease amendment is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Class 1, Section r of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061 (b) (3) of the State CEQA Guidelines.
- 4. Approve the project and authorize the CAO, Auditor and ISD to implement the project. The lease amendment will be effective upon approval by your Board, but the term and rent will commence upon completion of the TI by the Landlord and acceptance thereof by the County.

#### PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of this recommended action is to amend the existing lease whereby Auditor can implement Phase II of the Shared Services Program. Phase II of the Shared Services Program entails further consolidation of existing procurement, payroll and accounting functions involving various County departments. The Office of Public Safety is being added to the original list of 19 County departments that participate in the Shared Services Program, as well as the Grant Accounting unit within the CAO's Office of Emergency Management. Moreover, several departments from the original list are looking to consolidate additional accounting and/or payroll functions that were not included in Phase I. The proposed space will house 40 full-time employees.

#### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The proposed lease amendment will assist in implementing Goal 1 (Services Excellence) of the Countywide Strategic Plan by allowing the Auditor to continue providing quality and standard services and ensuring fiscal compliance. Implementation of Goal 2 (Workforce Environment) is also assisted by the proposed lease amendment. Pursuant to the proposed lease amendment, a quality and efficient work environment that is conducive to maximizing employee productivity will be provided. Compliance with the County's Strategic Asset Management Principles is further outlined in Attachment A.

#### **FISCAL IMPACT/FINANCING**

The maximum annual rental cost for the proposed lease amendment is \$232,032.

3470 Wilshire	Original Lease	Proposed Amendment	Total
Blvd, Los Angeles	_	No. 1	
	ACTUAL	PROJECTED	
Term	Ten Years (7/1/05 to 6/30/15)	12/1/06 to 6/30/15	N/A
Total Area	11,400 sq. ft.	10,100 sq. ft.	21,500
Parking Spaces	45	32	77
Annual Base Rent	\$172,368 (\$15.12 per sq. ft.)	\$203,616 (\$20.16 per sq. ft.)	\$375,984
Annual Parking Rent	\$39,960 (\$888 per parking space per year)	\$28,416 (\$888 per parking space per year)	\$68,376
Annual TI Reimbursement	\$28,244 (\$2.48/sq.ft.)	None.	\$28,244
Maximum Annual Rent*	\$240,572 (\$21.10/sq.ft.)	\$232,032 (\$22.97/sq.ft.)	\$472,604
Base TI Allowance	\$228,000 (\$20.00/sq.ft.)	None.	\$228,000
Additional TI Allowance	\$212,000 (\$18.60/sq.ft.)	None.	\$212,000
Cancellation	County may cancel at or anytime after the 60 <sup>th</sup> month (July 1, 2010) with nine months notice	County may cancel at or anytime after July 1, 2010	N/A
Option to Renew	One five-year option at the prevailing terms	One five-year option at the prevailing terms	N/A
Rental Adjustment	Annual CPI with 4% cap	Annual CPI with 4% cap; first increase is July 1, 2007	N/A

<sup>\*</sup>The maximum annual rent is the aggregate of annual base rent, annual parking rent and annual TI reimbursement.

Sufficient funding for the proposed lease amendment is included in the 2006-07 Rent Expense Budget and will be billed back to the Auditor. The Auditor has allocated sufficient funds in its 2006-07 operating budget to cover the projected lease costs. The costs associated with the proposed lease amendment are 100 percent net County cost.

#### FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The proposed lease amendment will increase the Auditor's occupancy in the subject building from 11,400 to 21,500 rentable square feet. The terms of the lease and amendment are as follows:

- The term for the original premises commenced July 1, 2005.
- The term for the expansion premises will commence upon completion of the subsequent TI by the Landlord, and acceptance thereof by the County.
- The termination date for the original and expansion premises shall be June 30, 2015.
- Maximum annual rental costs are increasing from the \$21.10 per square foot per year in the original space to \$22.97 per square foot per year in the expansion space, or approximately nine percent. This increase is attributable to the increase in construction costs over the past 14 months.
- This is a full service agreement whereby all operating costs associated with the County's tenancy shall be the Landlord's sole responsibility.
- There is a cancellation provision allowing the County to cancel anytime after July 1, 2010 upon nine months advance notice to the Landlord.
- The office rent for the original and expansion premises shall be adjusted annually on July 1, based on changes in the Consumer Price Index with an annual adjustment cap of four percent.
- As part of the base rent for the expansion premises, the Landlord shall complete all tenant improvements, pursuant to the County's plans and specifications, at its sole expense capped at \$505,000 except furniture and low-voltage systems. CAO Real Estate staff and the Landlord have determined, based on a review of recent projects, that \$50 per square foot or \$505,000 represents an acceptable cost projection. The Landlord has an incentive to deliver the project at this cost because the commencement of rent is predicated upon the completion of the tenant improvements. In the event the Landlord is unable to deliver the project at \$505,000, the Landlord and CAO Real Estate staff will value-engineer or change the project scope to stay within the budget.

- All of the furniture, telephone, data and low voltage systems will be paid in a lump sum by the Auditor.
- There is an option to renew this lease for an additional five-year period, subject to Board approval, by giving Landlord nine months prior written notice. The existing terms of the lease will prevail in the event the County exercises the renewal option.
- The Right of First Offer to Lease Additional Premises that was included in the original lease, subject to Board approval, remains. This option will be available through June 30, 2007. In the event the Landlord enters negotiations with another prospective tenant and the County elects to exercise this option, the additional premises will be leased at the same rental rate, terms and conditions as the original premises including coterminous expiration dates.

CAO Real Estate staff surveyed the mid-Wilshire area to determine the availability of comparable and more economical sites. Staff was unable to identify any sites in the surveyed areas that could accommodate this requirement more economically. Attachment B shows all County-owned and leased facilities within the search areas for these programs. There are no County-owned or leased facilities available for this program.

Based upon a survey of similar properties within the specified area, staff has determined that the rental range including parking and tenant improvements for a full service lease is between \$21.60 and \$30.00 per square foot per year. Thus, the proposed annual rent of \$22.97 per square foot is at the low end of the rental range.

The Department of Public Works has inspected the subject facility and found it suitable for the County's occupancy under a lease.

The proposed lease amendment is exempt from Real Estate Management Commission review.

There are no funds available to support an on-site child care facility.

#### **ENVIRONMENTAL DOCUMENTATION**

The CAO has made an initial study of environmental factors and has concluded that this lease amendment is exempt from CEQA as specified in Class 1, Section r, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061 (b) (3) of the State CEQA Guidelines.

#### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

The proposed lease amendment will provide the necessary office space for this County requirement. In accordance with your Board's policy on the housing of any County offices or activities, the Auditor concurs with this recommendation.

#### CONCLUSION

It is requested that the Executive Officer, Board of Supervisors, return two originals of the executed lease amendment and the adopted, stamped Board letter, and two certified copies of the Minute Order to the CAO, Real Estate Division at 222 South Hill Street, 4th Floor, Los Angeles, CA 90012 for further processing.

Respectfully submitted,

DAVID E. JANSSEN

Chief Administrative Officer

DEJ:CWW CEM:KW:hd

Attachments (3)

c: County Counsel Auditor-Controller

3470Wilshire.b

### AUDITOR-CONTROLLER 3470 WILSHIRE BOULEVARD, LOS ANGELES Asset Management Principles Compliance Form<sup>1</sup>

1.	Ос	cupancy	Yes	No	N/A
	Α	Does lease consolidate administrative functions? <sup>2</sup>	х		
	В	Does lease co-locate with other functions to better serve clients? <sup>2</sup>	х		
	С	Does this lease centralize business support functions? <sup>2</sup>	X		
	D	Does this lease meet the guideline of 200 sf of space per person? <sup>2</sup> Lease represents 228 sf per person. Excess due to preexisting layout of office space and future growth.		X	
2.	Ca	pital			
	Α	Should program be in leased space to maximize State/Federal funding?		X	
	В	If not, is this a long term County program?	х		
	С	Is it a net County cost (NCC) program? 100.00%	х		
	D	If yes to 2 B or C; capital lease or operating lease with option to purchase?		Х	ļ
	Е	If no, are there any suitable County-owned facilities available?		X	<u> </u>
	F	If yes, why is lease being recommended over occupancy in County-owned?			X
	G	Is Building Description Report attached as Attachment B?	х		
	H	Was build-to-suit or capital project considered? Build-to-suit and capital projects are cost-prohibitive for projects of this size.		Х	
3.	Ро	rtfolio Management			
	Α	Did department utilize CAO Space Request Evaluation (SRE)?	х		
	В	Was the space need justified?	х		<u> </u>
	С	If a renewal, was co-location with other County departments considered?			х
	D	Why was this program not co-located?			
		The program clientele requires a "stand alone" facility.			
		No suitable County occupied properties in project area.			<u> </u>
		No County-owned facilities available for the project.			<u> </u>
		4. Could not get City clearance or approval.			ļ <u> </u>
		5. X The Program is being co-located.			
	Ε	Is lease a full service lease?	X		
	F	Has growth projection been considered in space request?	х		
	G	Has the Dept. of Public Works completed seismic review/approval?	Х		
		<sup>1</sup> As approved by the Board of Supervisors 11/17/98			
		<sup>2</sup> If not, why not? Please <b>bold</b> any written responses			

## SPACE SEARCH, CIVIC CENTER AND WILSHIRE CORRIDOR AUDITOR-CONTROLLER

LACO	FACILITY NAME	ADDRESS	GROSS SQ. FT.	NET SQ. FT.	OWNERSHIP	AVAILABLE SQ. FT.	
A408	DCFS-Borax Building	3075 Wilshire Blvd, Los Angeles 90010	132488	105568	LEASED	NONE	
A424	DPSS-Equitable Building	3435 Wilshire Blvd, Los Angeles 90010	65872	62578	LEASED	NONE	
B695	DHS-Immunization	695 South Vermont , Los Angeles 90010	14274	12847	LEASED	NONE	
A532	DHS-Metroplex Building	3530 Wilshire Blvd, Los Angeles 90010	109137	98224	LEASED	NONE	
A413	DHR-Wilshire Square Building	3333 Wilshire Blvd, Los Angeles 90010	76304	65438	LEASED	NONE	
A336	SHERIFF-Wilshire Centre Building	3055 Wilshire Blvd, Los Angeles 90010	7755	7115	LEASED	NONE	
A429	CAO-Hill Street Building	222 South Hill St, Los Angeles 90012	29013	26082	LEASED	NONE	
5979	Central Arraignment Courthouse	429 Bauchet St, Los Angeles 90012	83692	30638	FINANCED	NONE	
3154	Foltz Criminal Justice Center	210 West Temple St, Los Angeles 90012	1036283	399535	FINANCED	NONE	
5546	DHS-Central Public Health Center	241 North Figueroa, Los Angeles 90012	60924	34748	OWNED	NONE	
A159	DA-Figueroa Plaza	201 North Figueroa, Los Angeles 90012	83164	79006	LEASED	NONE	
Y356	El Pueblo Property	502 New High, Los Angeles 90012	16517	14524	OWNED	14524	
0144	El Pueblo Property	510 New High, Los Angeles 90012	35683	22753	Owned	22753	
0142	El Pueblo Property	507 North Main St, Los Angeles 90012	15618	11154	OWNED	11154	
0143	El Pueblo Property	501 North Main St, Los Angeles 90012	34350	29710	OWNED	29710	
0495	El Pueblo Property	300 Cesar Chavez, Los Angeles 90012	2800	2380	OWNED	2380	
0101	Hall of Justice	211 West Temple St, Los Angeles 90012	570811	306487	OWNED	Not Habitable	
0156	Hall of Records	320 West Temple St, Los Angeles 90012	438095	258677	OWNED	NONE	
5456	DHS-Administration Building	313 North Figueroa, Los Angeles	221359	134851	OWNED	NONE	
0181	Kenneth Hahn Hall of Administration	500 West Temple St, Los Angeles 90012	958090	591457	FINANCED	NONE	
A496	PD- LA Law Center Building	207 South Broadway, Los Angeles 90012	7100	6750	LEASED	NONE	
0155	Stanley Mosk Courthouse	111 North Hill St, Los Angeles 90012	794459	441761	OWNED	NONE	
3155	The Music Center	301 North Grand Ave, Los Angeles 90012	27582	17978	OWNED	NONE	
A388	APD-Wilshire Bixel Building	1055 Wilshire Blvd, Los Angeles 90017	6500	6175	LEASED	NONE	
D015	DPSS-Catholic Charities Computer	1530 James M Wood, Los Angeles 90017	200	200	PERMIT	NONE	

#### AMENDMENT NO. 1 TO COUNTY LEASE NO. 75233 AUDITOR CONTROLLER 3470 WILSHIRE BLVD., LOS ANGELES

This Amendment No. 1 to Lease No. 75233 ("Amendment No. 1") is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_\_, 2006, by and between CENTRAL PLAZA, LLC ("Lessor"), and the COUNTY OF LOS ANGELES, a body politic and corporate ("Lessee").

WHEREAS, Lessor and Lessee entered into that certain County Lease No. 75233 dated March 1, 2005 (the "Lease") whereby Lessor leased to Lessee approximately 11,400 rentable square feet of office space comprising a portion of the eleventh (11<sup>th</sup>) floor; within the building located at 3470 Wilshire Boulevard, Los Angeles, California for a term of Ten (10) years (the "Initial Term") from July 1, 2005 to June 30, 2015; and

**WHEREAS**, Lessor and Lessee desire to amend the Lease for the purpose of expanding the Premises and making the term for all portions of the Premises coterminous, pursuant to the terms and conditions of Section 1B of the Lease; and

**NOW, THEREFORE**, in consideration of the foregoing recitals, which are hereby deemed a contractual part hereof, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and the rents, covenants and agreements hereinafter contained, Lessor and Lessee hereby covenant and agree to amend the Lease as follows:

1. Paragraph 1. <u>DESCRIPTION OF PREMISES</u>, is hereby amended by adding the following language to Section 1A as follows:

The Premises shall also consist of approximately 10,100 rentable square feet comprising a portion of the 8<sup>th</sup> Floor and 32 parking spaces. The Premises shall be more particularly described as follows:

- Premises A: The original Premises comprising approximately 11,400 rentable square feet within a portion of the 11<sup>th</sup> floor.
- Premises B: The original Premises comprising 45 parking spaces within the on-site parking garage.
- Premises C: The expansion Premises comprising approximately 10,100 rentable square feet within a portion of the 8<sup>th</sup> floor.
- Premises D: The expansion Premises comprising 32 parking spaces within the on-site parking garage.

Premises A, B, C, and D shall be collectively known as (the "Premises") comprising a total of approximately 21,500 rentable square feet and 77 parking spaces.

2. Paragraph 2. <u>TERM</u>, is hereby amended by adding the following language to the first paragraph of Section 2A as follows:

#### A. Original Term:

In the event the Term of this Lease commences on different dates for Premises A, B, C or D the termination date for Premises A, B, C, and D shall be coterminous, such that the termination date for Premises A, B, C and D shall be June 30, 2015, regardless of any differences in their commencement dates. Lessor and Lessee shall execute a Memorandum of Commencement Date in the form attached hereto as Exhibit "B" within 5 days of Lease commencement for Premises C and D, respectively.

3. Paragraph 3. <u>RENT</u>, is hereby deleted in its entirety, and the following language is inserted in substitution thereof:

Lessee hereby agrees to pay as rent for the Premises during the term as follows:

Premises A: The sum of Fourteen Thousand Three Hundred Sixty Four Dollars (\$14,364.00) per month, i.e., One and 26/100 Dollars (\$1.26) per rentable square foot per month.

Premises B: The sum of Three Thousand Three Hundred Thirty Dollars (\$3,330.00) per month, i.e. Seventy Four Dollars (\$74) per parking space per month.

Premises C: The sum of Sixteen Thousand Nine Hundred Sixty Eight Dollars (\$16,968.00) per month, i.e., One and 68/100 Dollars (\$1.68) per rentable square foot per month.

Premises D: The sum of Two Thousand Three Hundred Sixty Eight Dollars (\$2,368.00) per month, i.e. Seventy Four Dollars (\$74) per parking space per month.

The total rent for Premises A, B, C and D combined shall amount to Thirty Seven Thousand Thirty Dollars (\$37,030.00) per month. Rental payments shall be subject to annual adjustment pursuant to Paragraph 25 herein, and are payable in advance by Auditor's General Warrant within fifteen (15) days after the first day of each and every month of the term hereof provided Lessor has caused a claim therefore for each such month to be filed with the Auditor of the County of Los Angeles prior to the first (1st) day of each month.

4. Paragraph 20. PARKING SPACES, is hereby amended as follows:

Every reference to "forty five (45)" that appears in Paragraph 20 shall be deleted and replaced with the following number inserted in substitution thereof: seventy seven (77).

5. Paragraph 27. RENTAL ADJUSTMENT, is hereby amended as follows:

Every reference to "\$17,324.00" that appears in Paragraphs 27B and 27C shall be deleted and replaced with the following number inserted in substitution thereof: \$31,332,00.

Every reference to "\$692.96" that appears in Paragraph 27C shall be deleted and replaced with the following number inserted in substitution thereof: \$1,253.28.

6. The following language shall be added to the Lease and inserted as Paragraph 32:

#### 32. EXPANSION PREMISES TENANT IMPROVEMENTS.

Prior to the commencement date for Premises C and D and as part of the Base Rent, Lessor shall complete the expansion tenant Improvements, set forth in Exhibit A hereto, and incorporated herein by this reference (the "Additional Tenant Improvements") at its sole cost and expense, which shall not exceed \$505,000. The Additional Tenant Improvements shall include all construction work except furniture and low voltage work.

The parties agree that the estimated time for completion of the Additional Tenant Improvements is 90 days from the date this Amendment No. 1 is fully executed (the "Estimated Completion Date").

Completion may be delayed by:

- (1) Acts or omissions of Lessee or of any employees or agents of Lessee (including change orders in the Additional Tenant Improvement work), or
- (2) Any act of God which Lessor could not have reasonably foreseen and provided for, or
- (3) Any strikes, boycotts or like obstructive acts by employees or labor organizations which Lessor cannot overcome with reasonable effort and could not reasonably have foreseen and provided for, or
- (4) Any war or declaration of a state of national emergency, or
- (5) The imposition by government action or authority of restrictions upon the procurement of labor or materials necessary for the completion of the Additional Tenant Improvements.

If Lessor fails to complete the Additional Tenant Improvements within 10 days from the Estimated Completion Date, which period shall be extended for a reasonable time for the delays enumerated above, Lessee may, at its option

- 1. Cancel the Lease upon 30 days written notice to Lessor, or
- 2. Upon 30 days written notice to Lessor, assume the responsibility for completing the Additional Tenant Improvements itself.

If Lessee elects to complete the Additional Tenant Improvements, then:

- a. Lessee, its officers, employees, agents, contractors and assignees, shall have free access to the Premises at all reasonable times for the purpose of completing the Additional Tenant Improvements and for any other purposes related thereto.
- b. Rent shall be reduced by Lessee's total expense in completing the Additional Tenant Improvements, including without limitation any financing charges for capital and a reasonable amount for Lessee's administrative costs, and including interest at the rate of 10%. The rent reduction schedule shall be as mutually agreed to between the parties or, if no such agreement is made, Lessee's total expense shall be fully amortized in equal monthly amounts over 5 years.

- 7. All undefined terms when used herein shall have the same respective meanings as are given under the Lease unless expressly provided otherwise in this Amendment No. 1.
- 8. Each of the signatories for the Lessor personally covenant, warrant and guarantee that each of them, jointly and severally, have the power and authority to execute this Amendment No. 1 upon the terms and conditions stated herein and each agrees to indemnify and hold harmless the Lessee from all damages, costs, and expenses, which result from a breach of this representation.
- 9. In the event of a conflict between the terms or conditions of this Amendment No. 1 and the terms or conditions of Lease No. 75233, the terms and conditions of this Amendment No. 1 shall prevail. All other terms and conditions of the Lease remain unchanged and are hereby reaffirmed in full force and effect.

**IN WITNESS WHEREOF**, the Lessor has executed this Amendment No. 1 or caused it to be duly executed, and the County of Los Angeles by order of its Board of Supervisors, has caused this Amendment No. 1 to be executed on its behalf by the Mayor of said Board and attested to by the Clerk thereof the day, month, and year first above written.

ATTEST:	LESSOR:		
SACHI A. HAMAI Executive Officer-Clerk of the Board of Supervisors By	By fall Kim Title Ex. 19		
	By Name Title		
	LESSEE:		
	COUNTY OF LOS ANGELES		
APPROVED AS TO FORM:  RAYMOND G. FORTNER, JR.  County Counsel	By		

